

CONFIDENTIAL (FR) CLASS II-FOMC

*Material for
Staff Presentation to the
Federal Open Market Committee*

February 2, 1981

Principal Assumptions

Monetary Policy

- Growth of M-1A of 4½ percent in 1981 and 3¾ percent in 1982, abstracting from shifts into NOWs
- Growth of M-1B of 4¾ percent in 1981 and 4½ percent in 1982, abstracting from shifts into NOWs

Fiscal Policy

- Unified budget expenditures of
\$ 656 billion in FY 1981 and
\$ 726 billion in FY 1982
- Tax reduction of \$ 35 billion
\$ 29 billion for individuals effective mid-1981
\$ 6 billion for businesses retroactive to January 1981

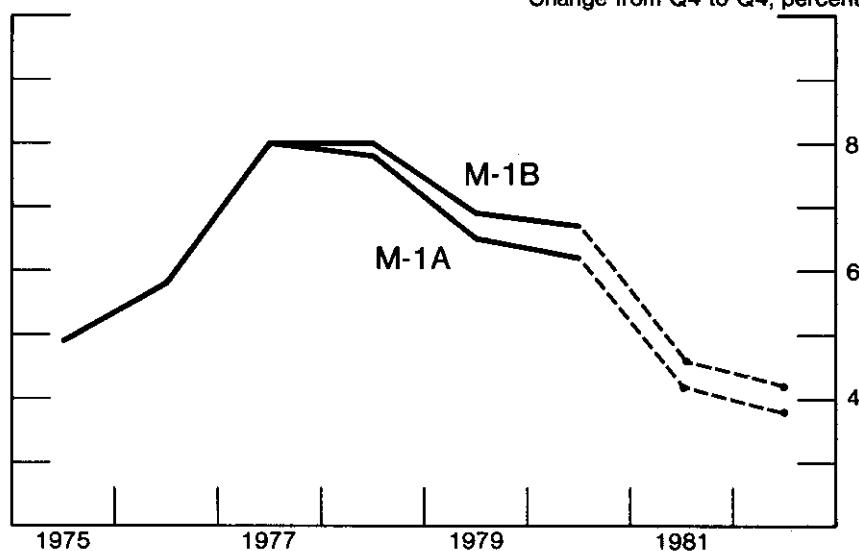
Federal Budget

Fiscal Years, Unified Budget Basis

	1980		1981		1982	
	Billions of Dollars	Percent Change	Billions of Dollars	Percent Change	Billions of Dollars	Percent Change
Outlays	\$580	17%	656	13%	726	11%
Defense	136		162		187	
Nondefense	444		494		539	
Receipts	520	12%	600	15%	645	8%
Deficit	60		57		81	

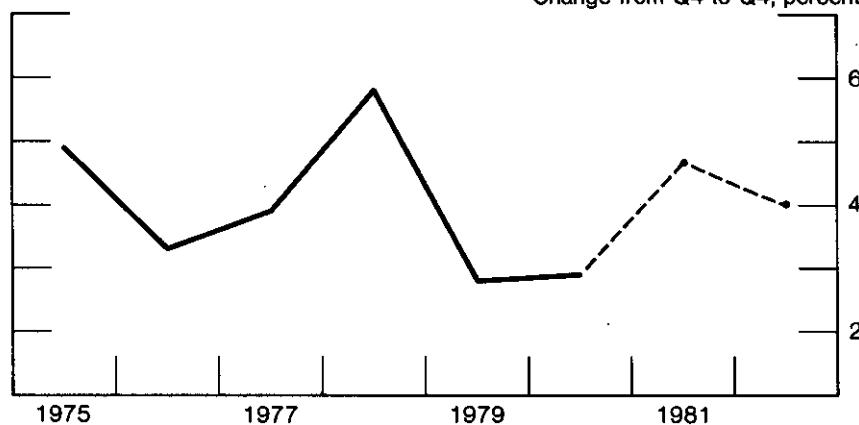
Monetary Aggregates*

Change from Q4 to Q4, percent



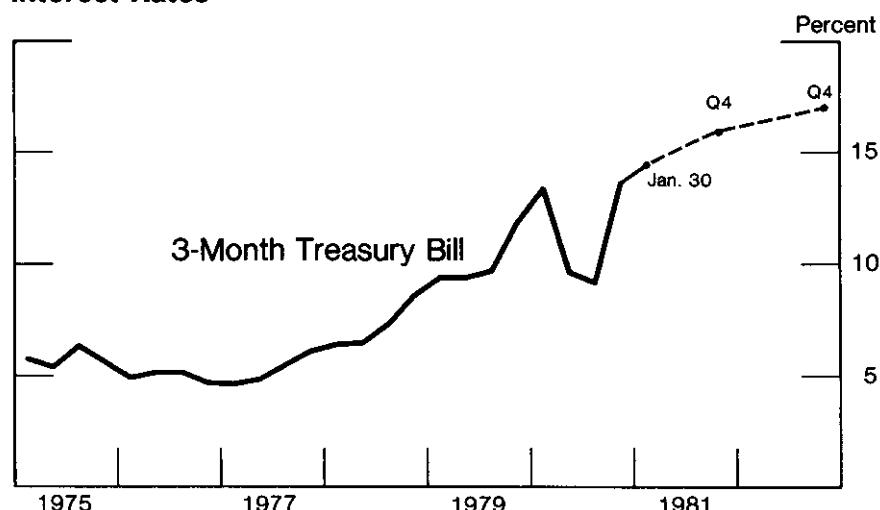
M-1B Velocity*

Change from Q4 to Q4, percent



Interest Rates

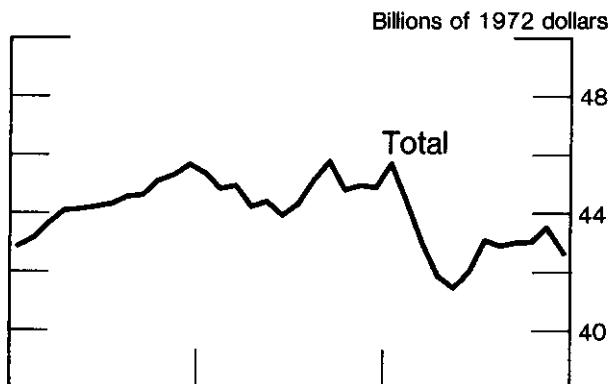
Percent



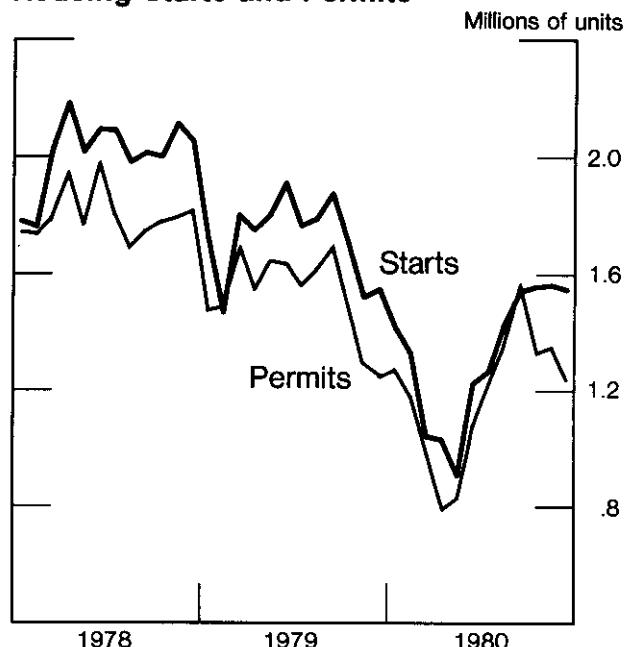
*Abstracting from shifts into ATS and NOW accounts.

Economic Activity

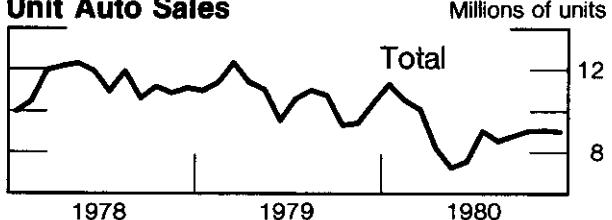
Real Retail Sales



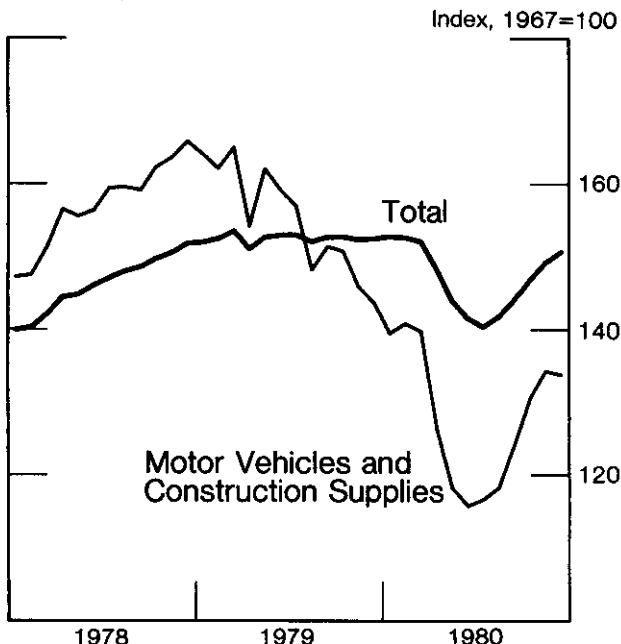
Housing Starts and Permits



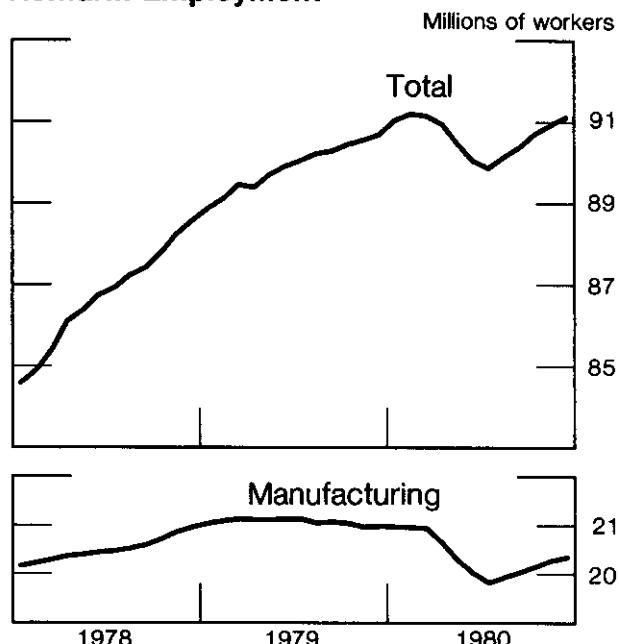
Unit Auto Sales



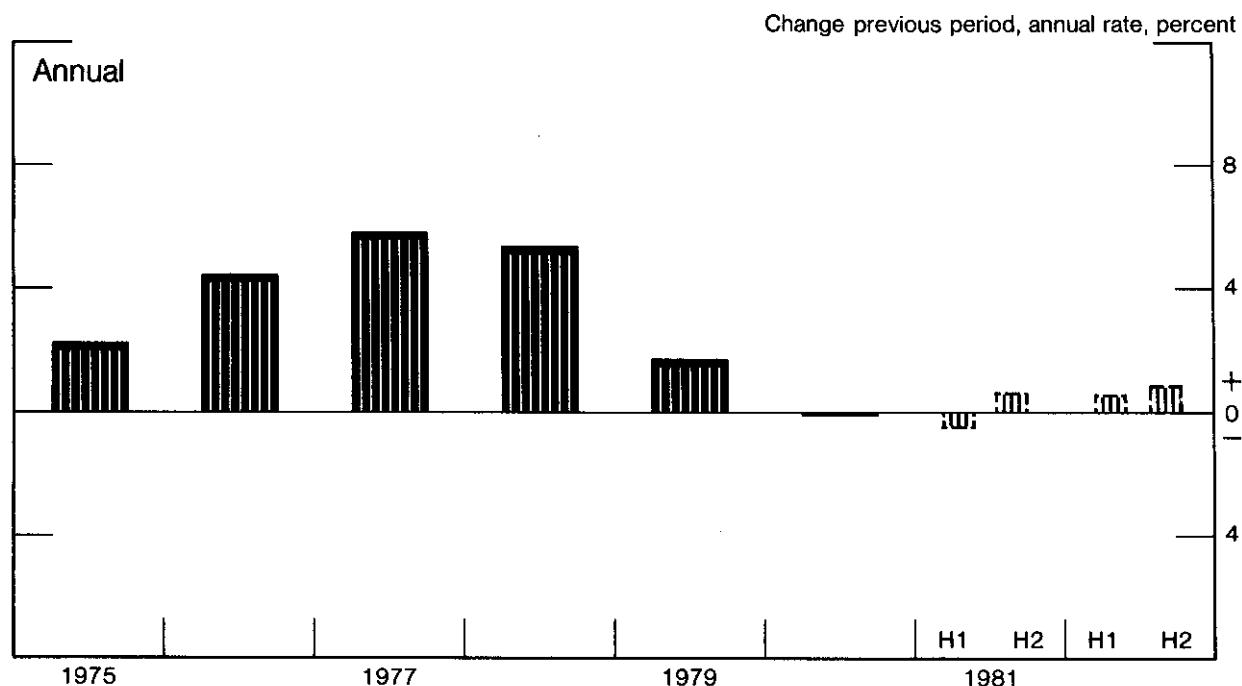
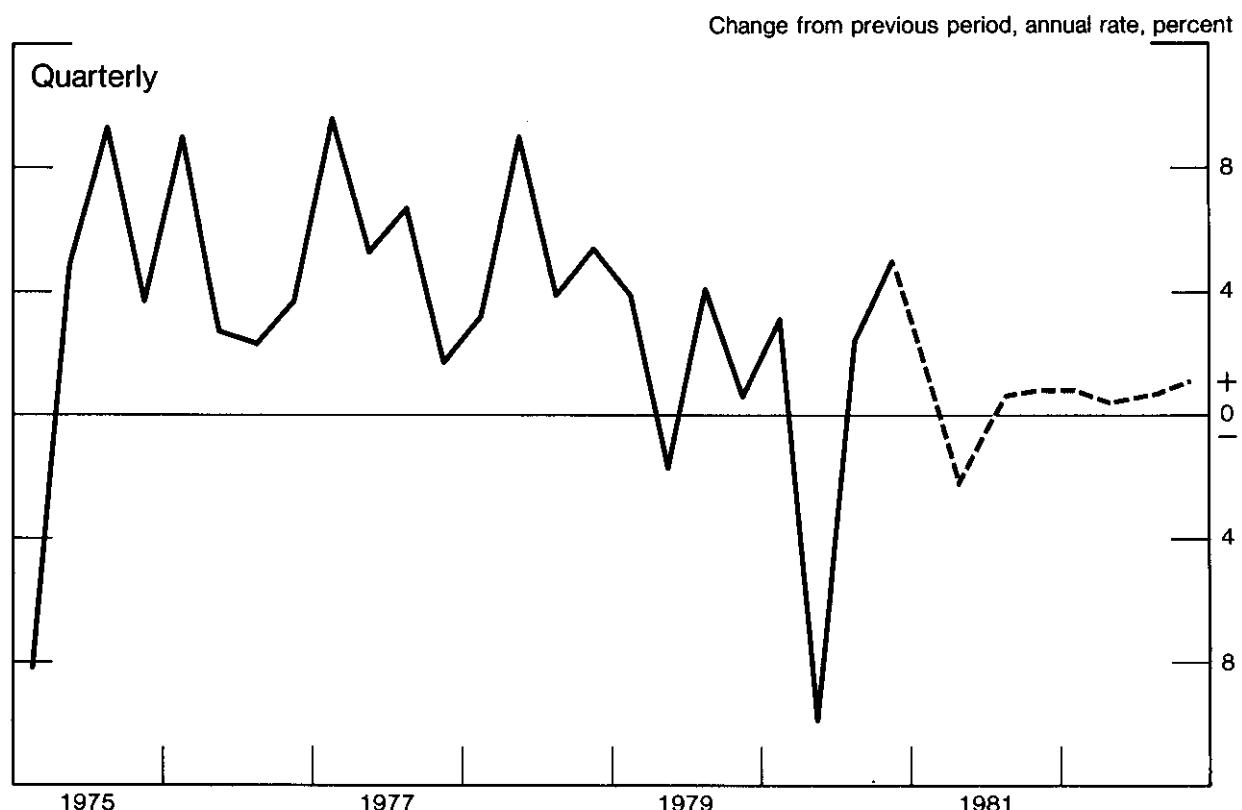
Industrial Production



Nonfarm Employment



Real Gross National Product 1972 Dollars

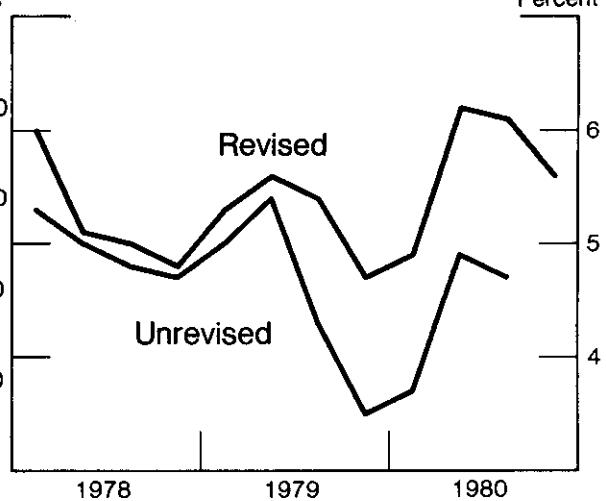
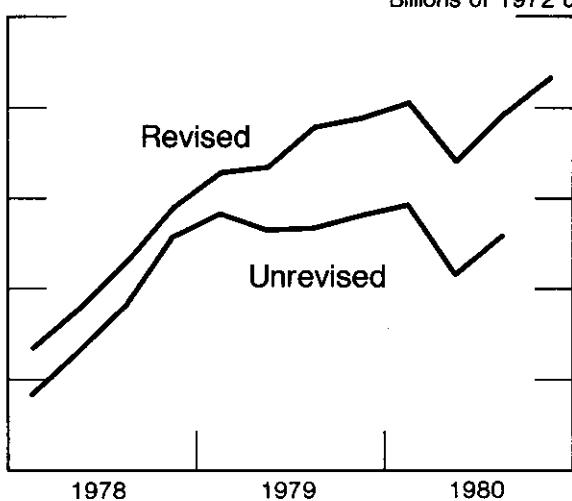


Real Disposable Personal Income

Billions of 1972 dollars

Saving Rate

Percent



Household Debt Repayment

Relative to Disposable Personal Income

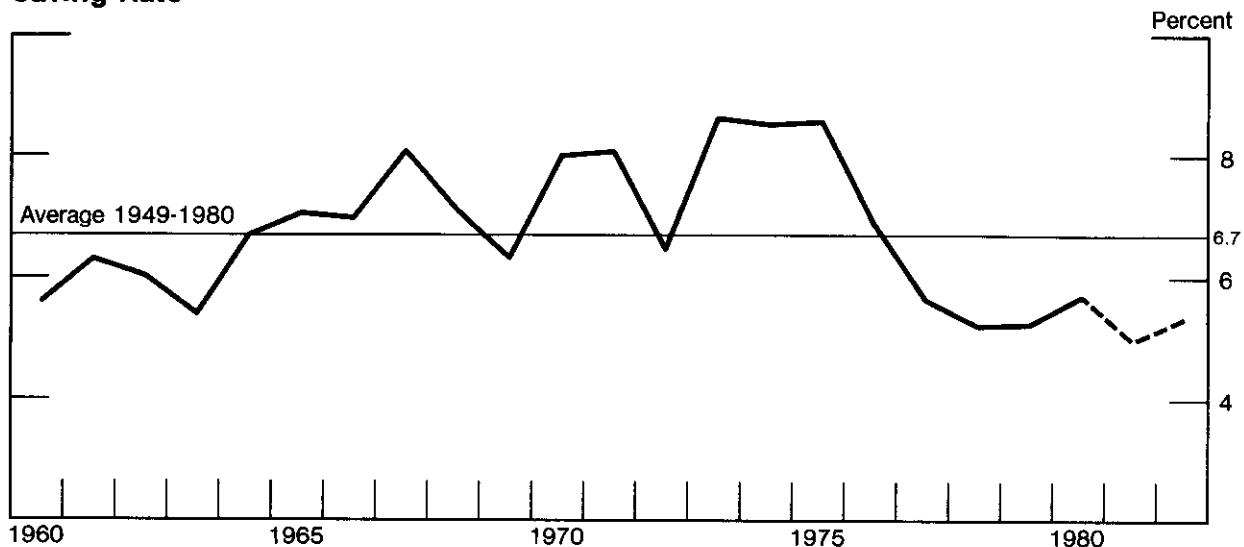


Personal Consumption Expenditures on Food and Energy

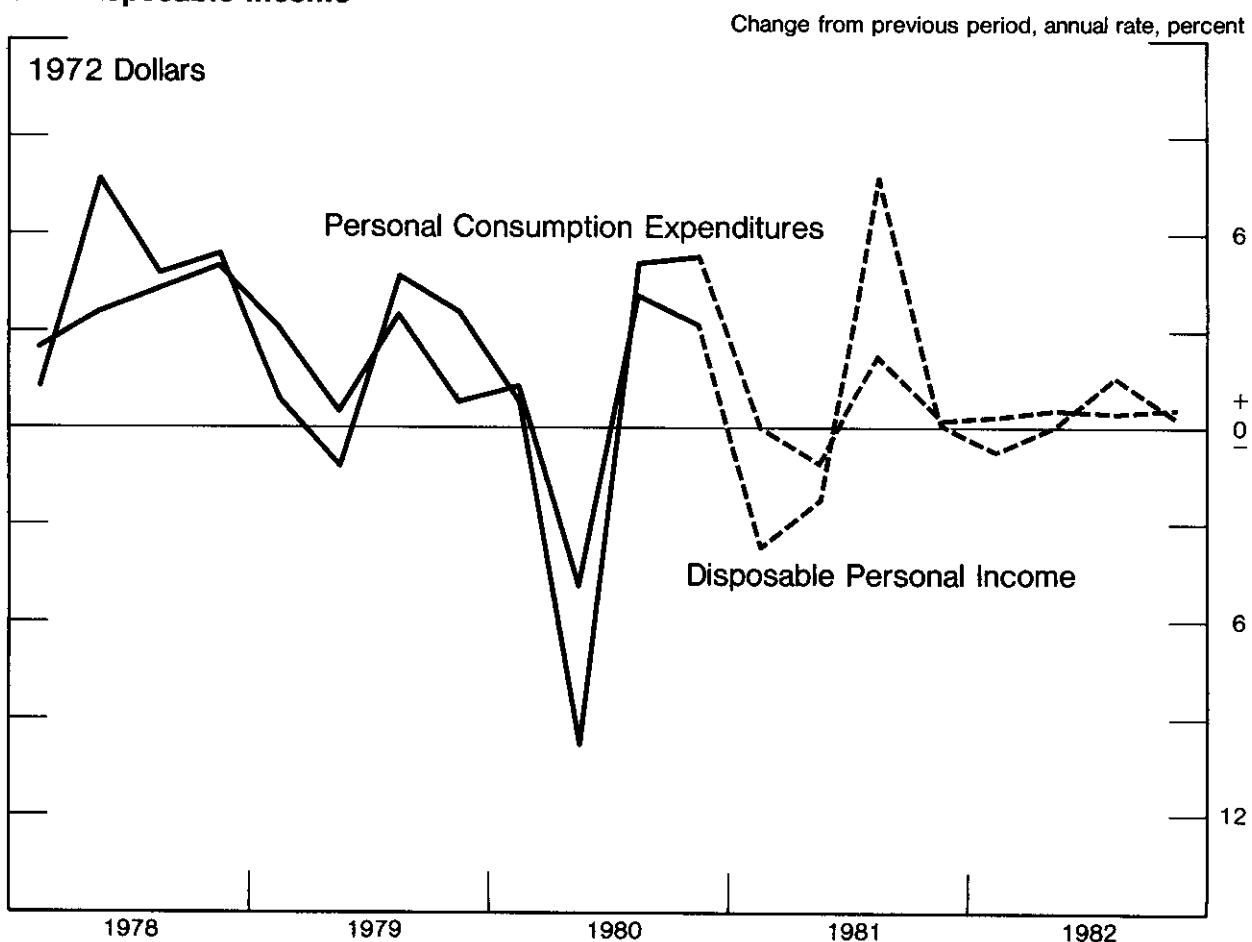
Relative to Disposable Personal Income

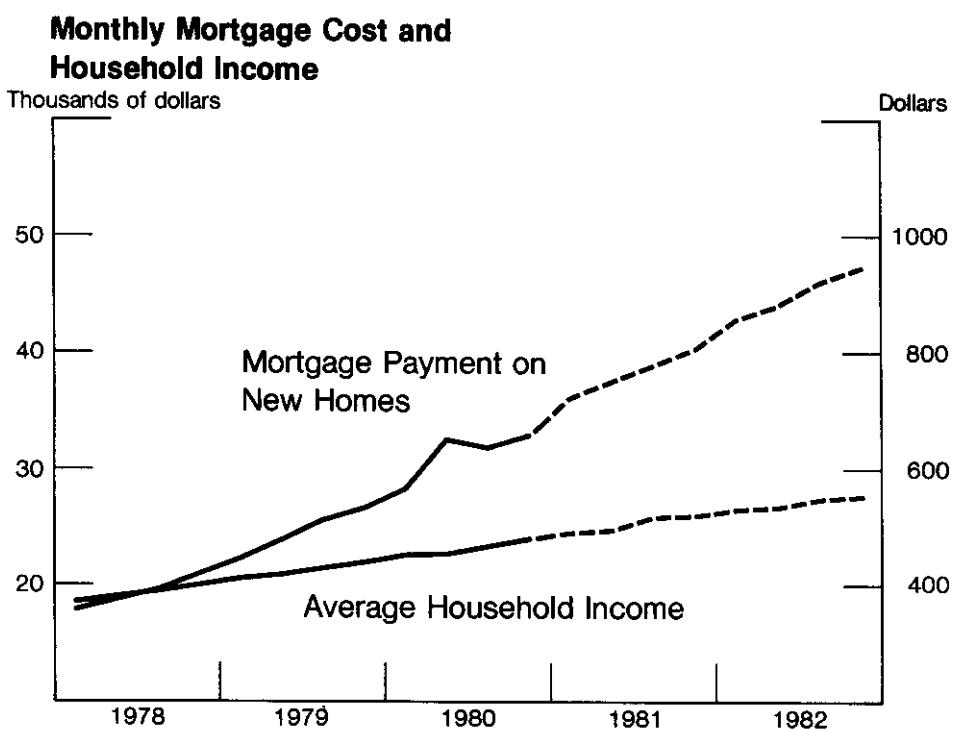
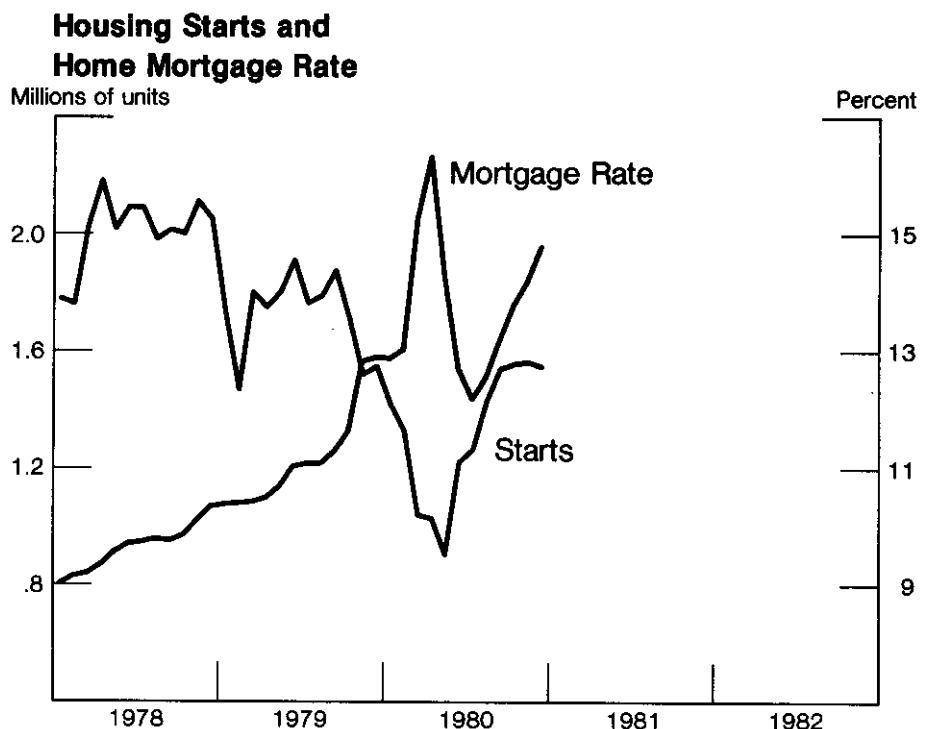


Saving Rate



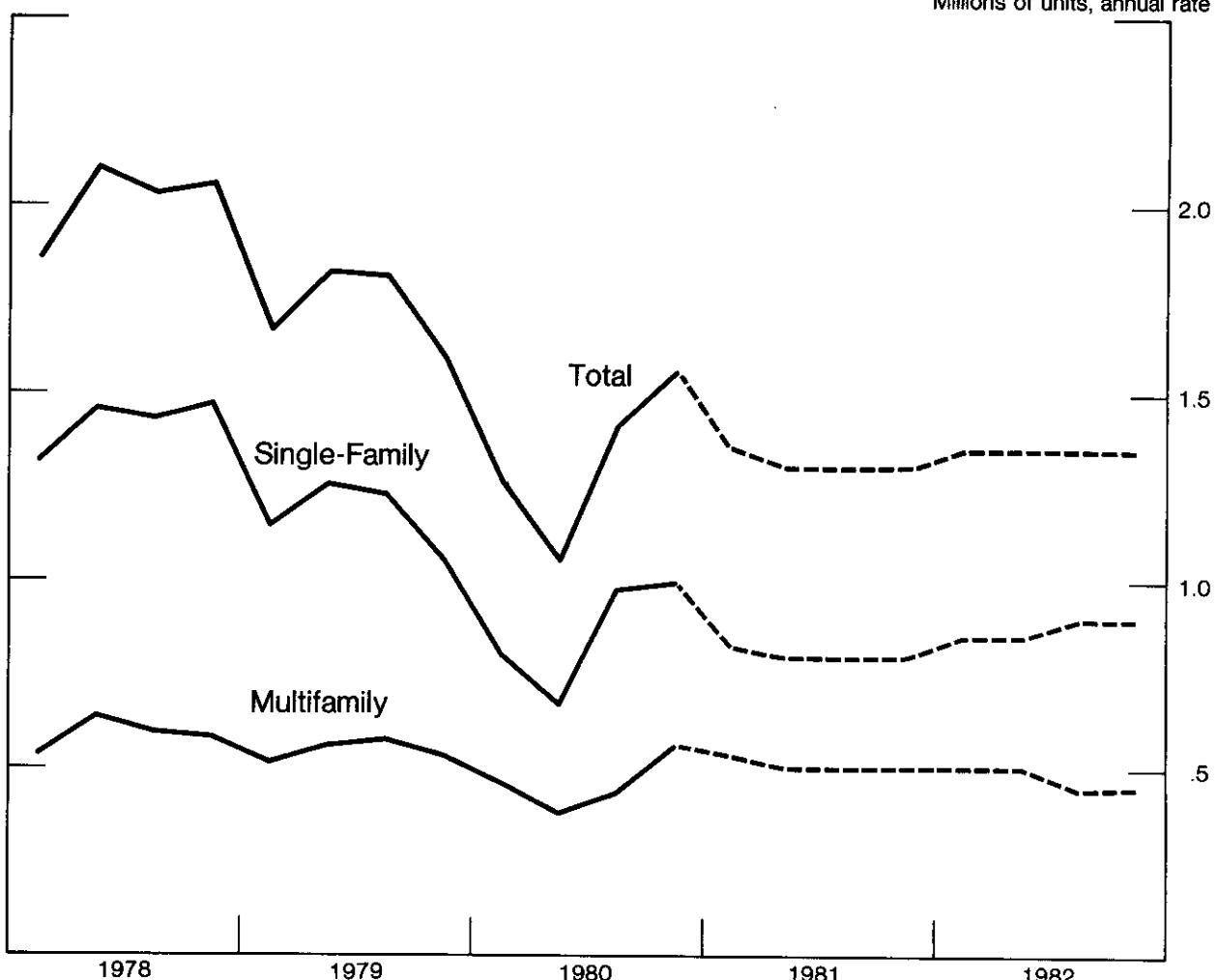
Real Personal Consumption Expenditures and Disposable Income



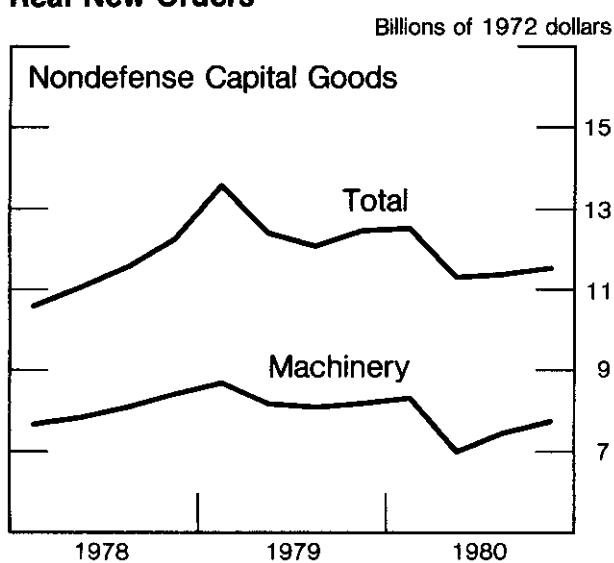


Housing Starts

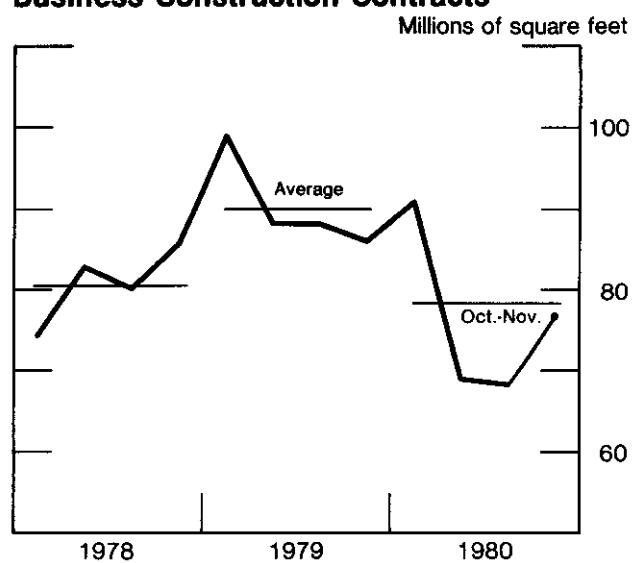
Millions of units, annual rate



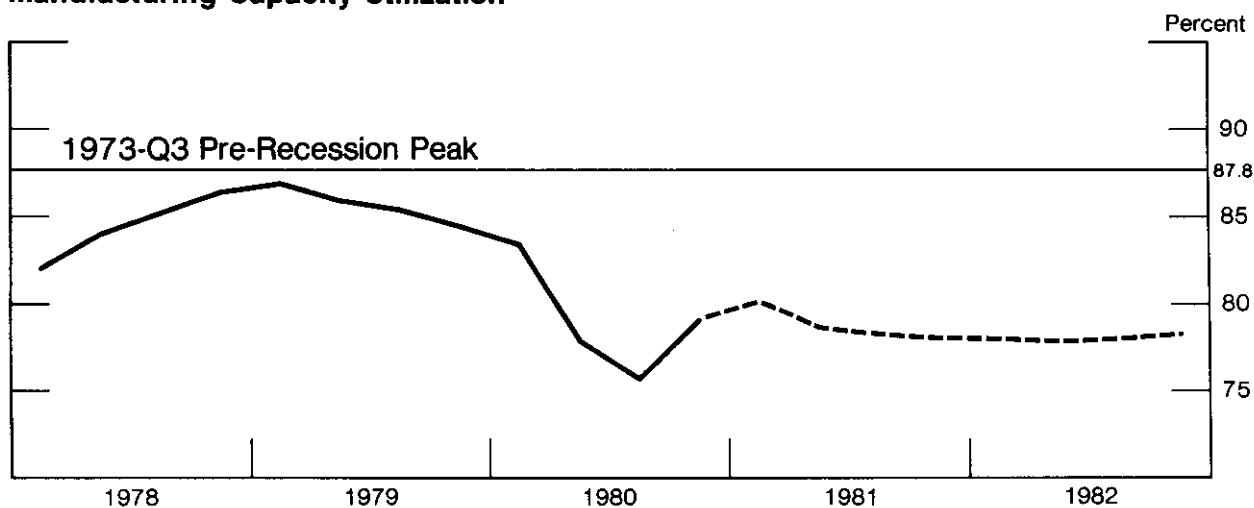
Real New Orders



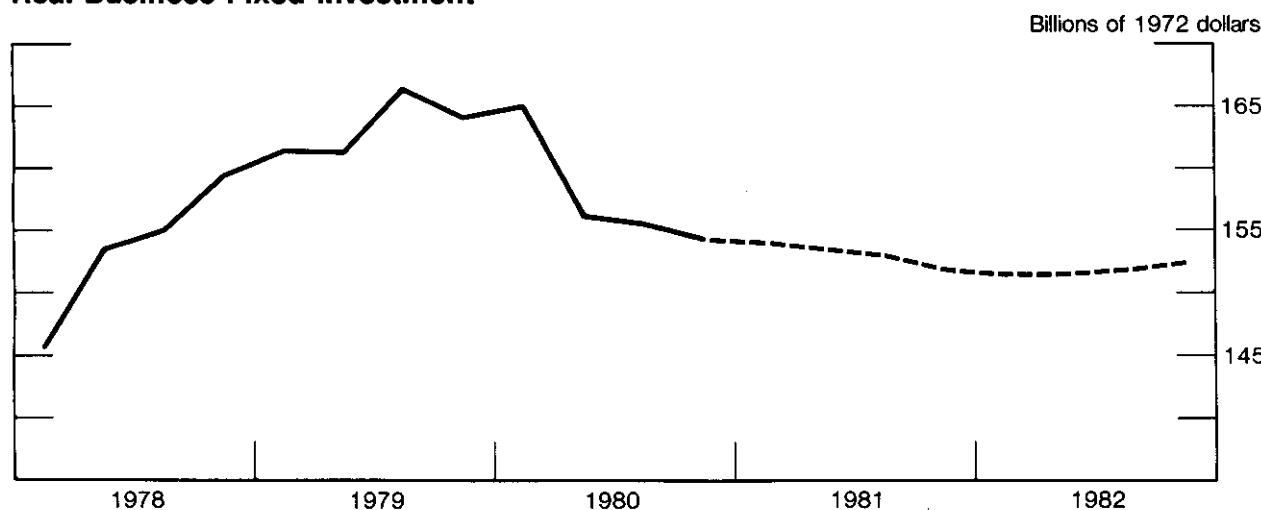
Business Construction Contracts



Manufacturing Capacity Utilization

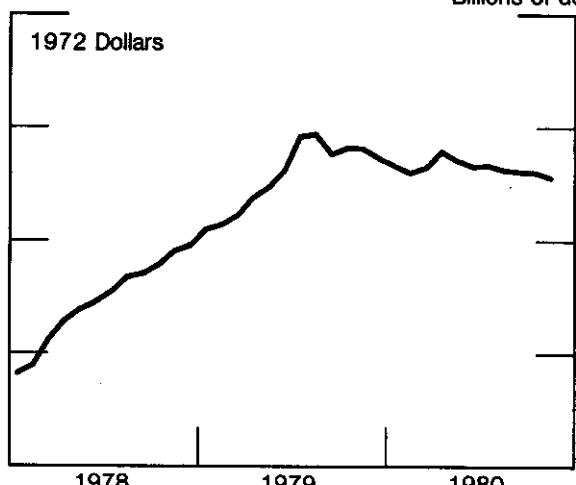


Real Business Fixed Investment



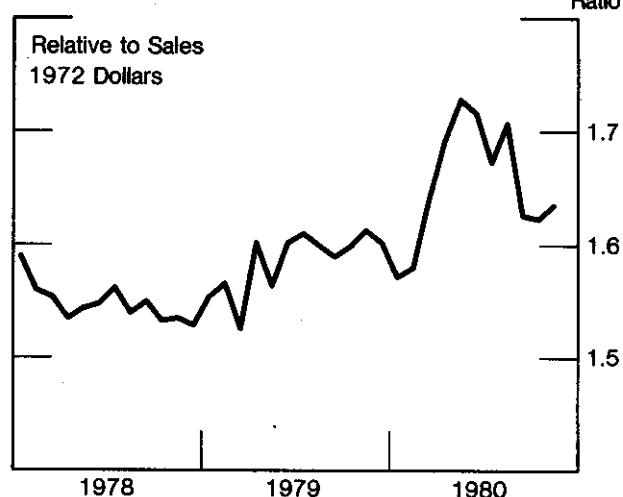
Total Manufacturing and Trade Inventories

Billions of dollars



Relative to Sales
1972 Dollars

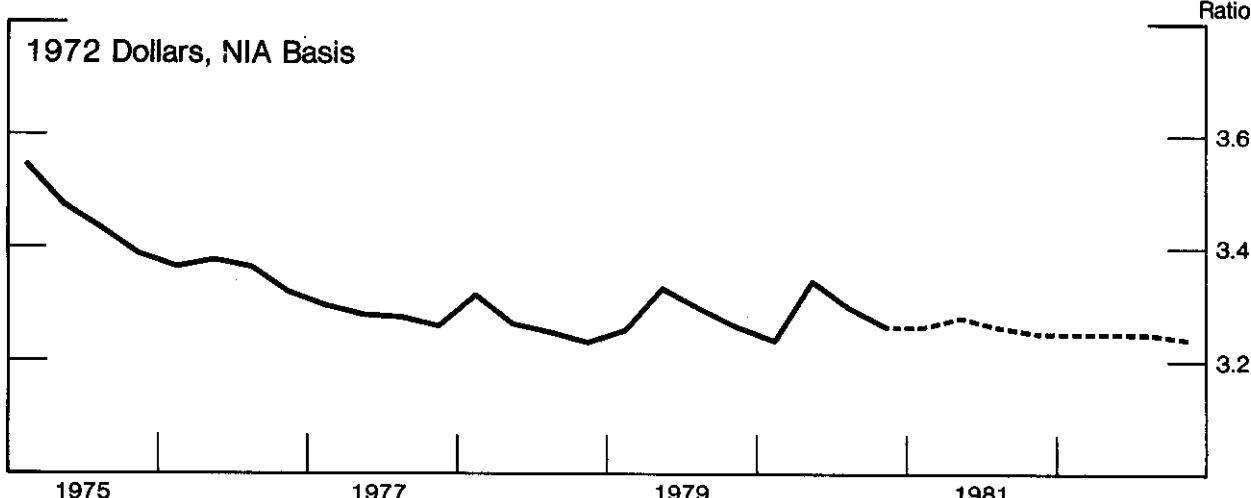
Ratio



Business Inventories Relative to Sales

1972 Dollars, NIA Basis

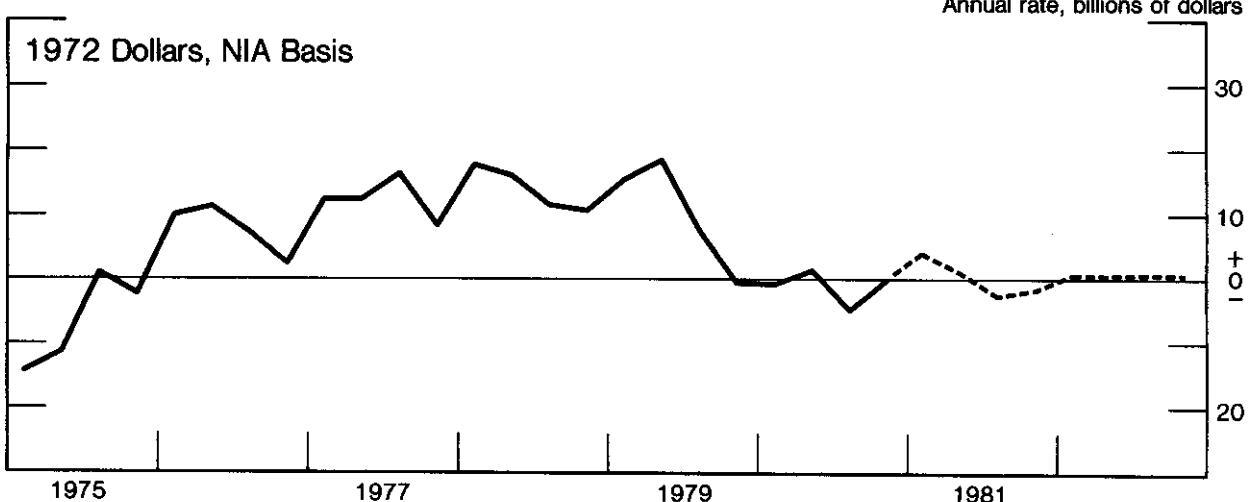
Ratio



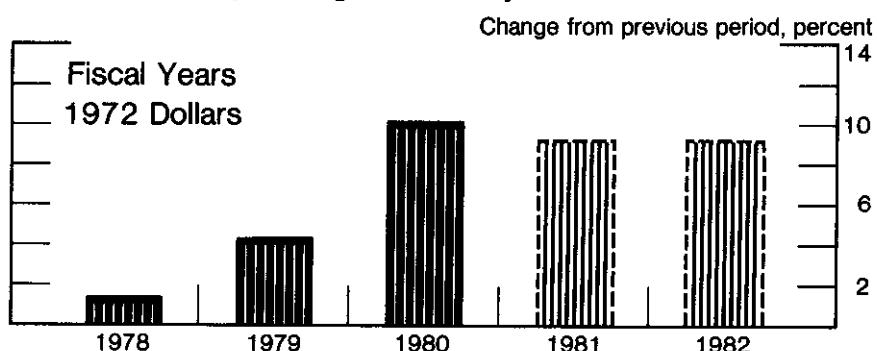
Change in Business Inventories

Annual rate, billions of dollars

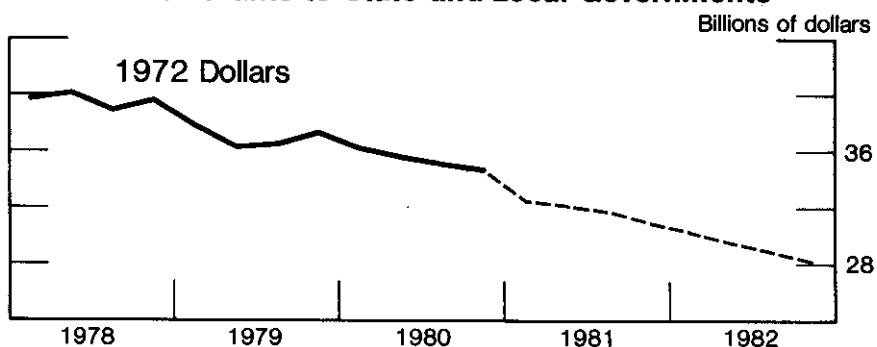
1972 Dollars, NIA Basis



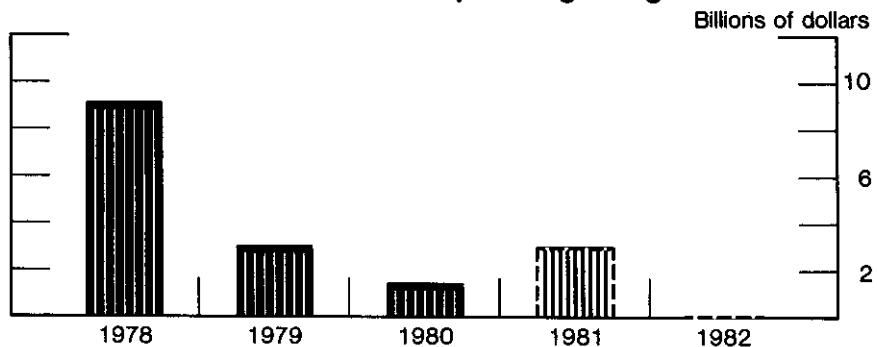
Real Defense Spending Less Compensation



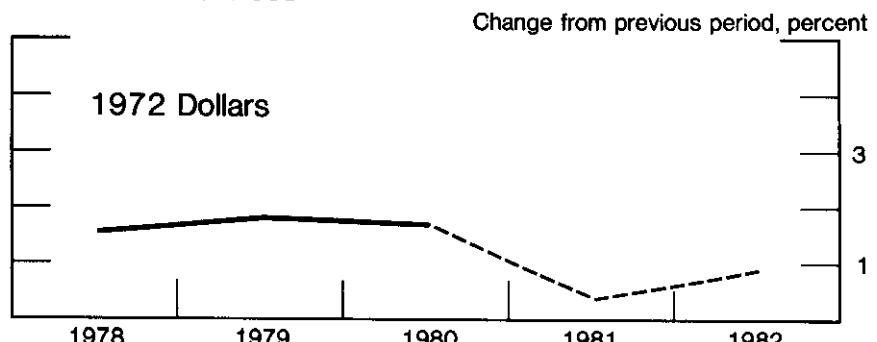
Real Federal Grants to State and Local Governments



State and Local Government Operating Budget



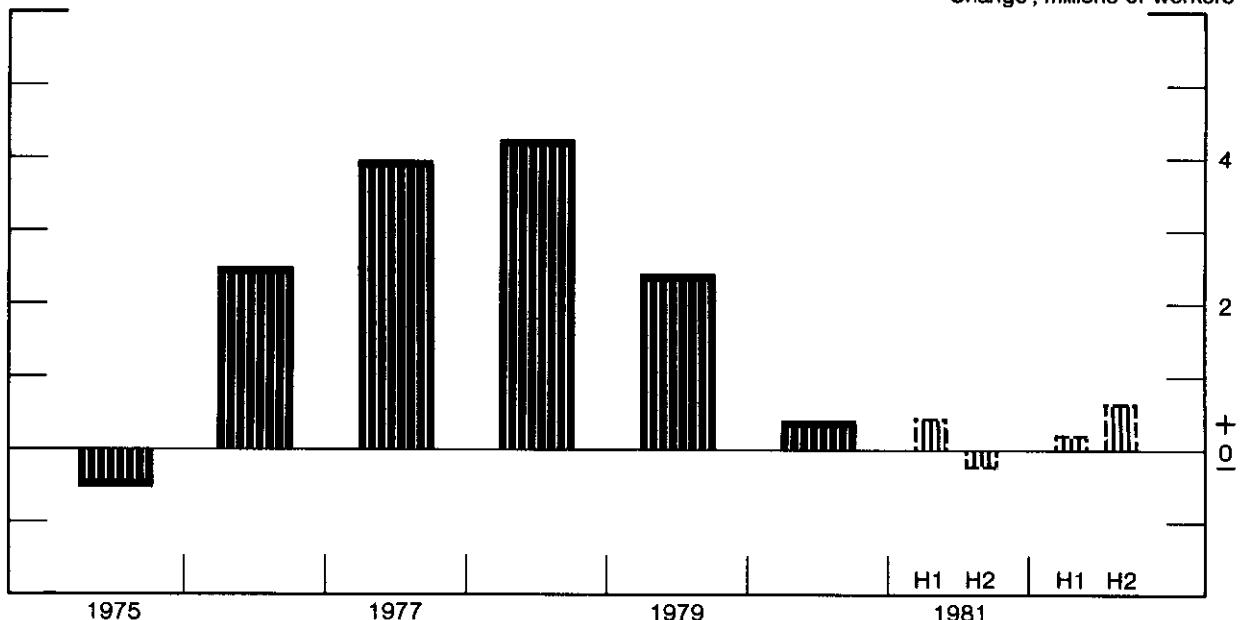
Real Total* Government Purchases Of Goods and Services



*Federal and State and Local

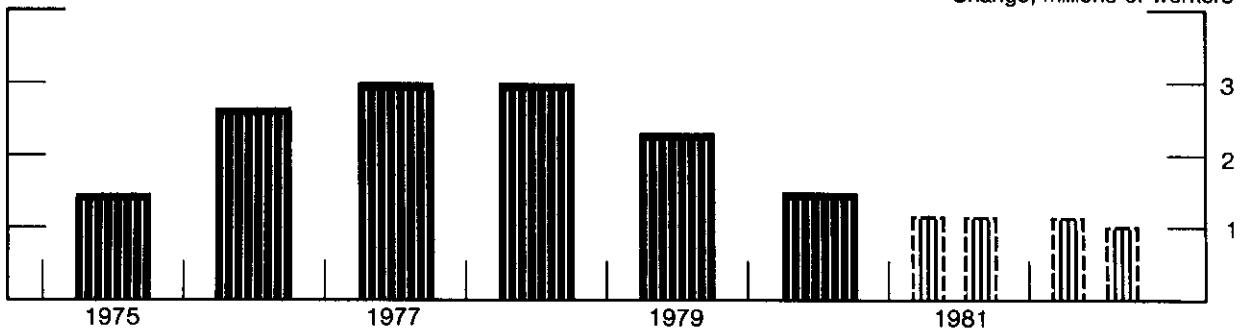
Nonfarm Employment

Change , millions of workers



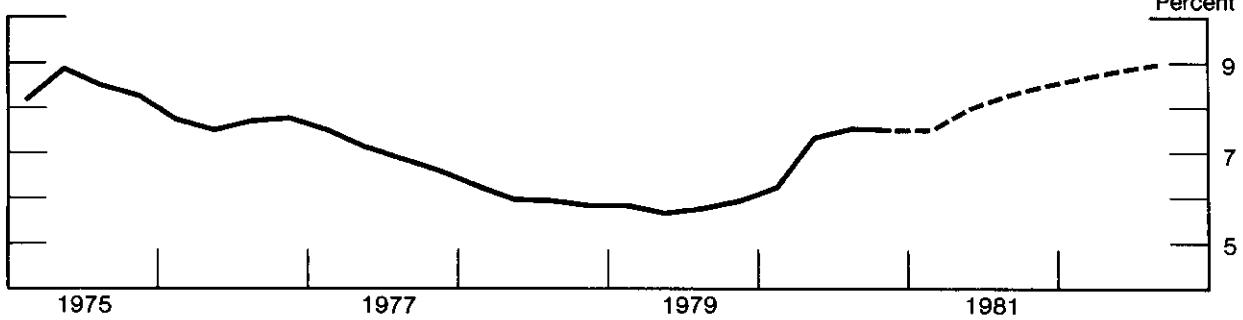
Civilian Labor Force

Change, millions of workers

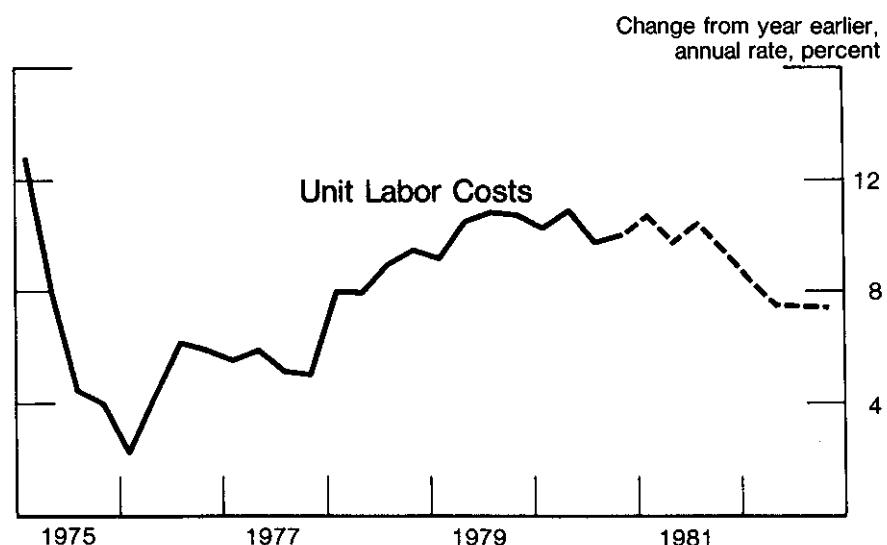
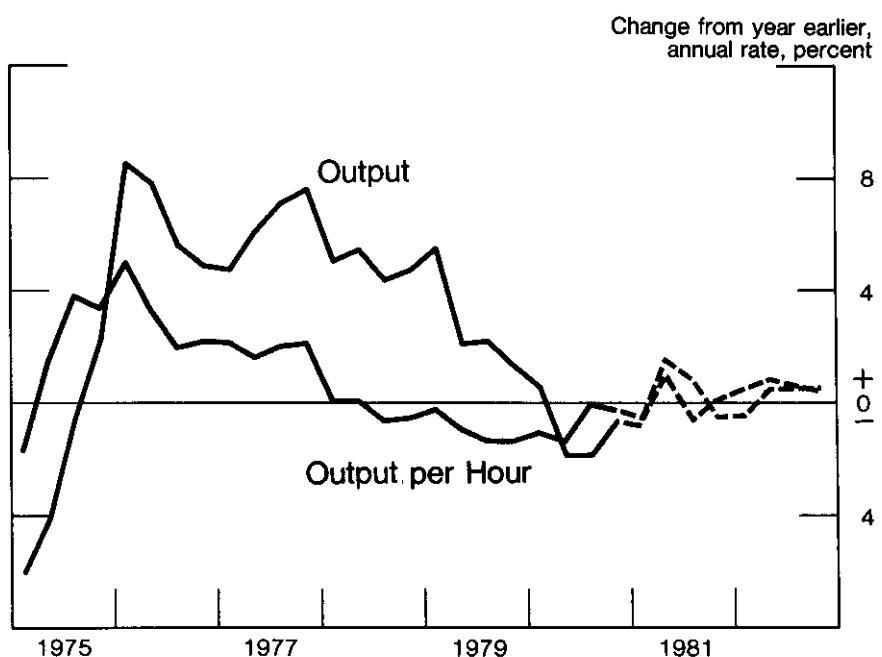
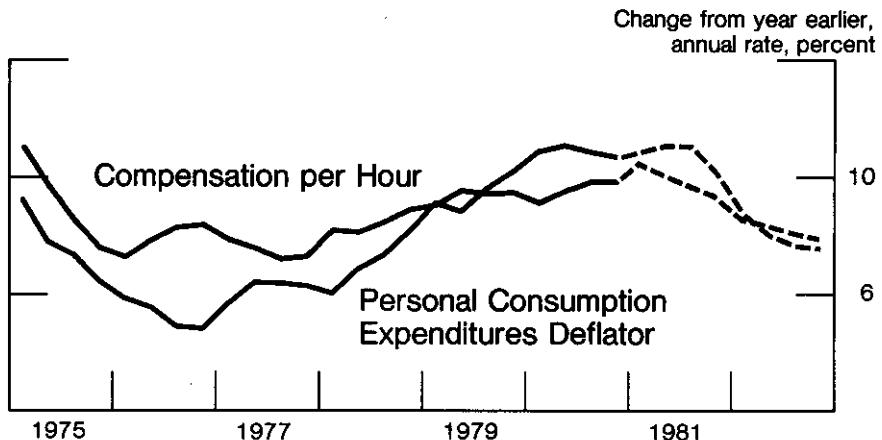


Unemployment Rate

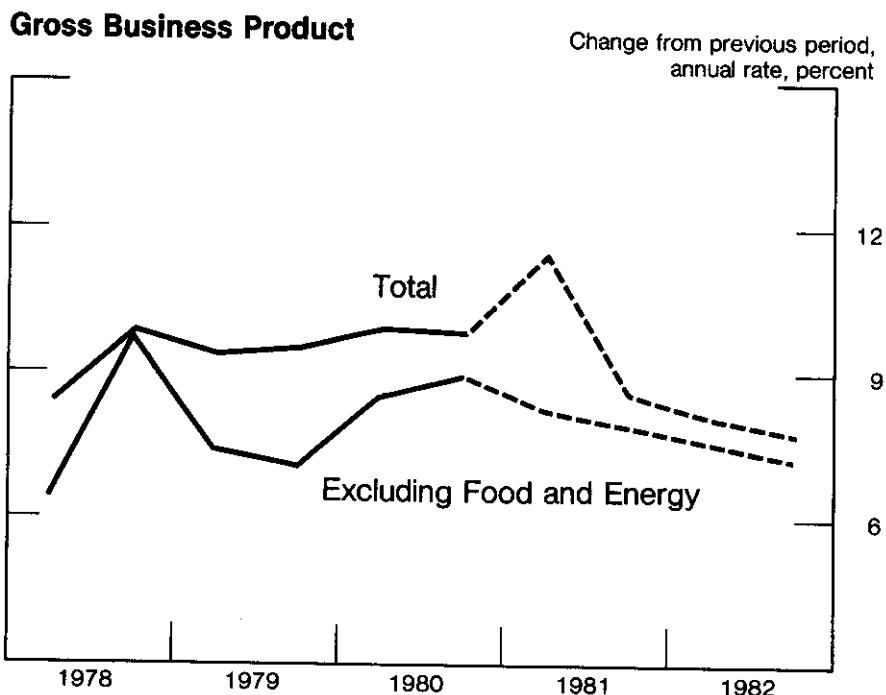
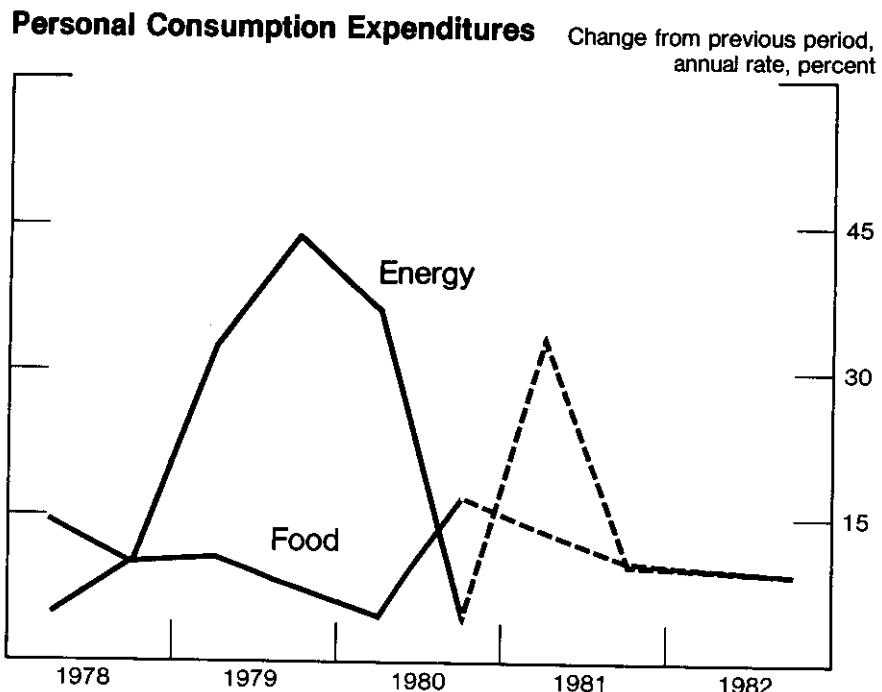
Percent



Unit Cost Indicators Nonfarm Business Sector

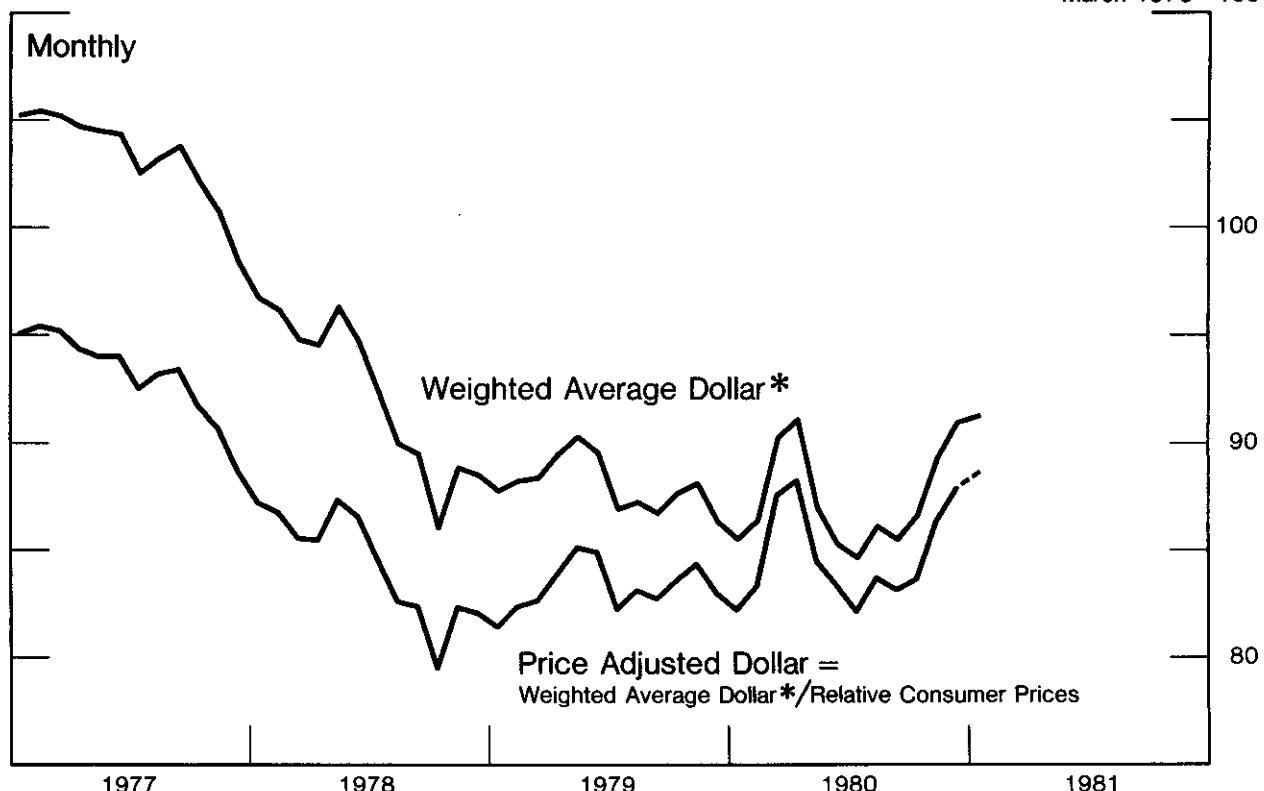


Prices Fixed-Weighted Indexes



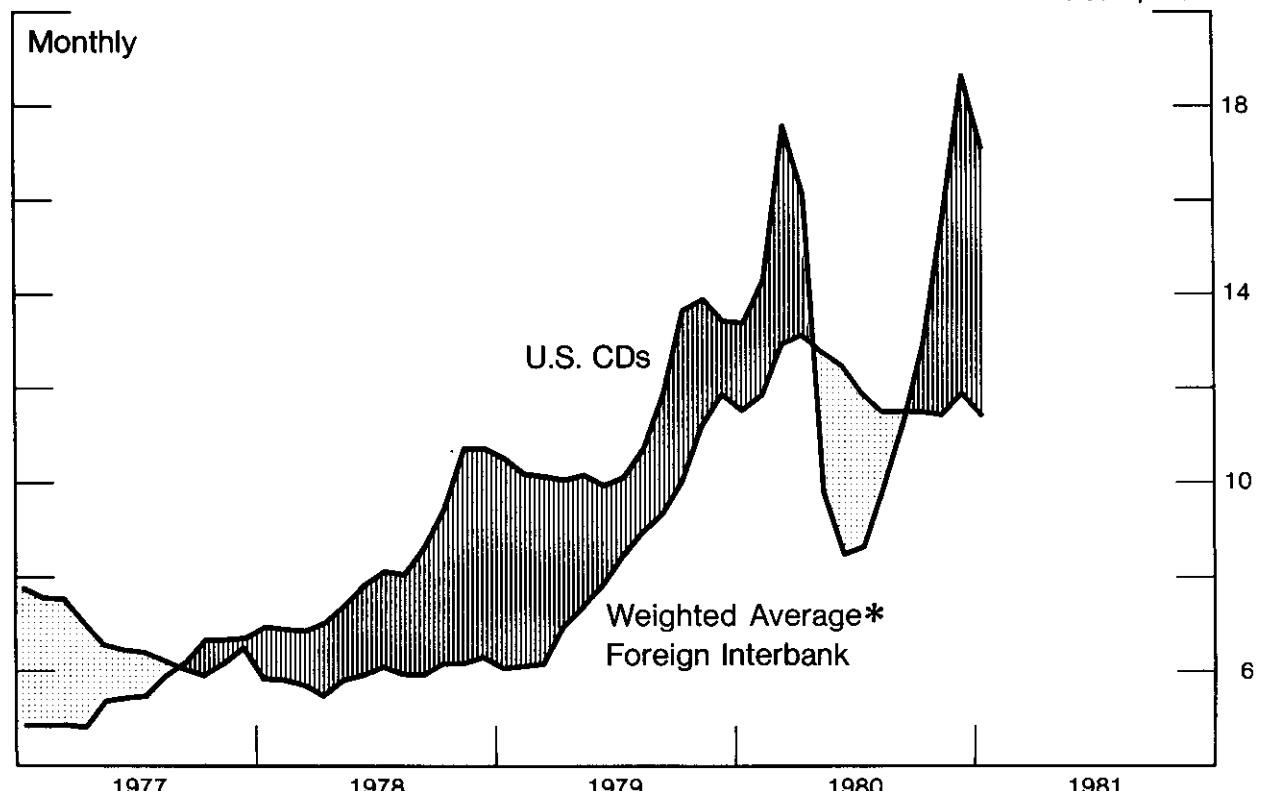
Foreign Exchange Value of the U.S. Dollar

March 1973=100



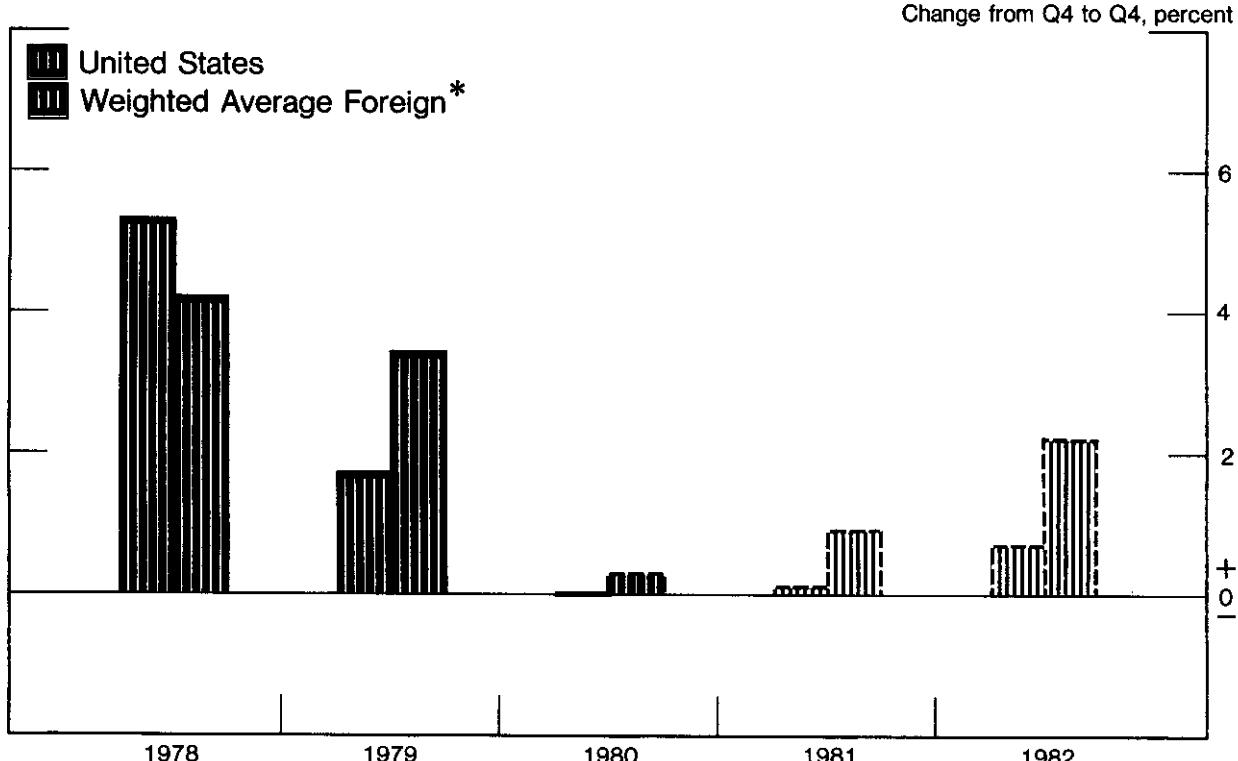
Short-Term Interest Rates

Percent per annum

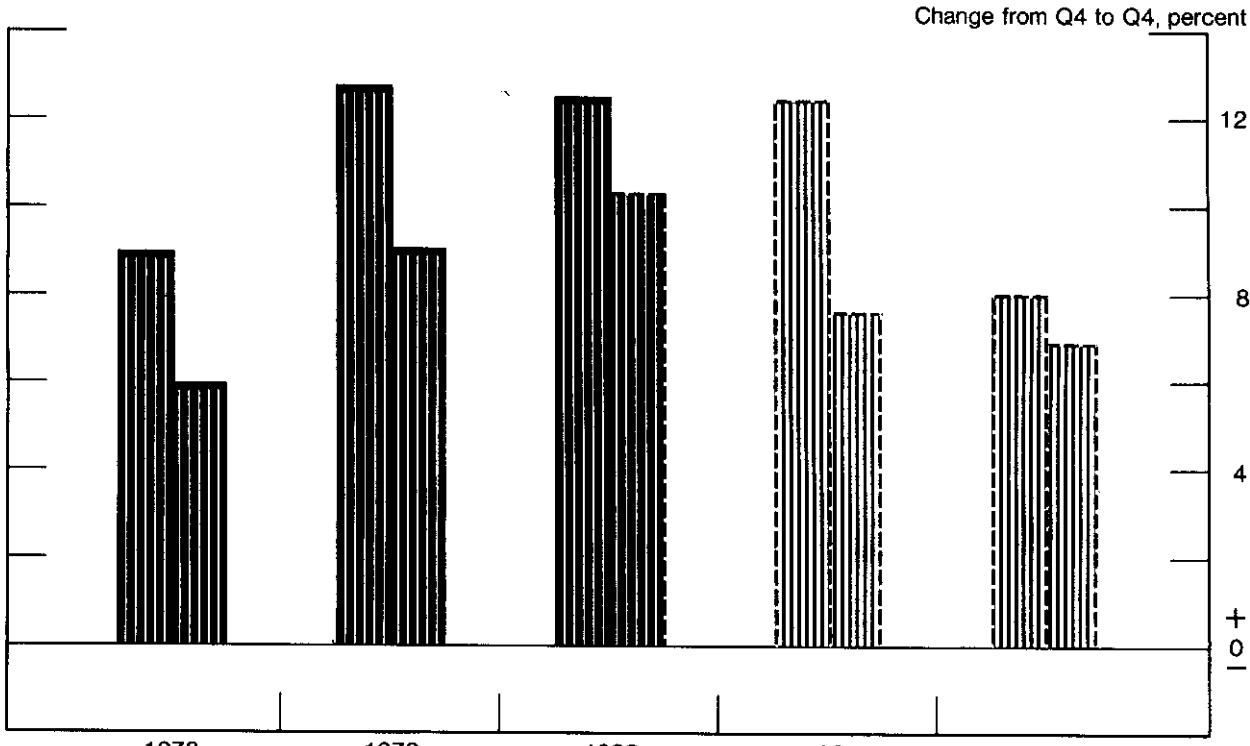


* Weighted average against or of G-10 countries plus Switzerland using total 1972-76 average trade of these countries.

Real GNP



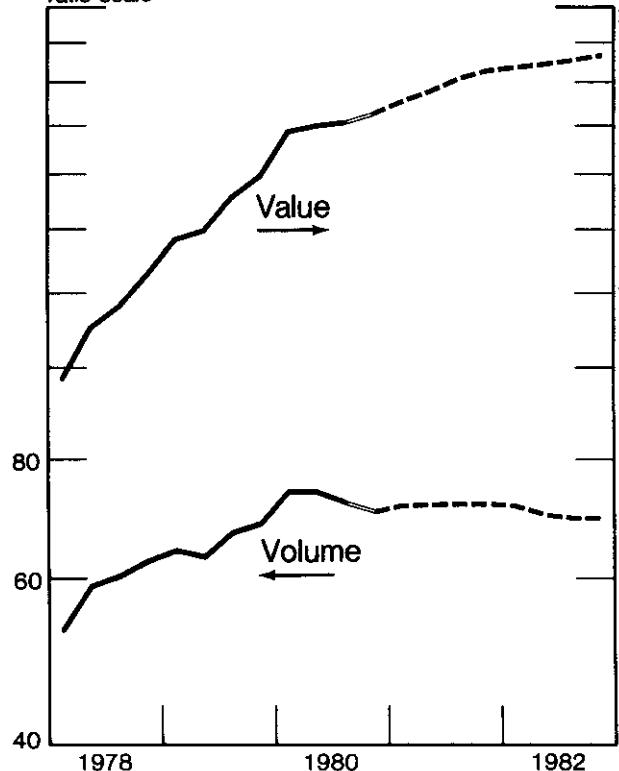
Consumer Prices



* Weighted average against G-10 countries plus Switzerland using total 1972-76 average trade of these countries.

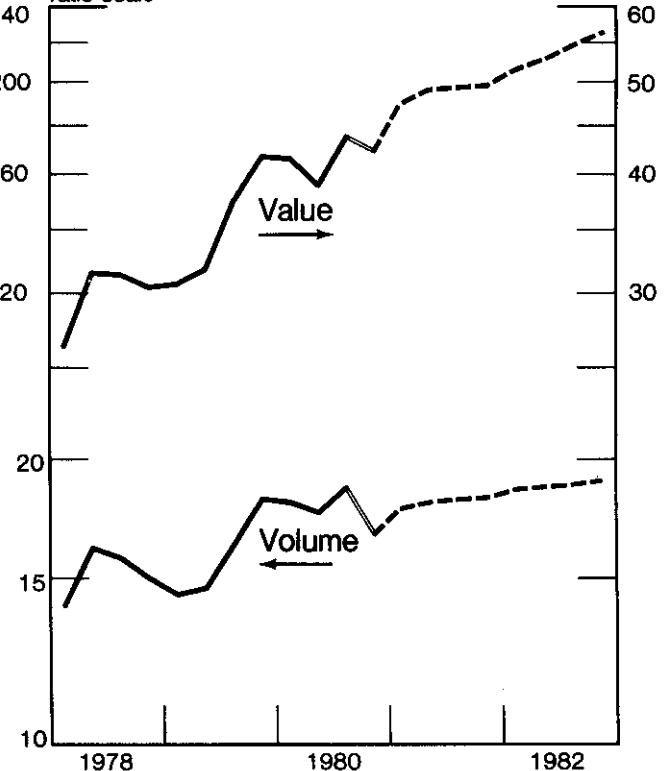
Nonagricultural Exports

Billions of 1972 dollars,
ratio scale



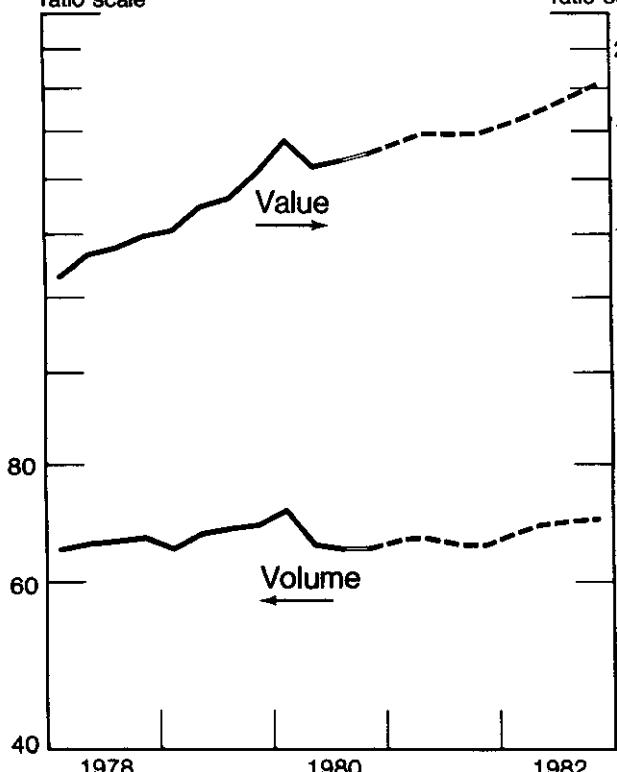
Agricultural Exports

Billions of dollars,
ratio scale



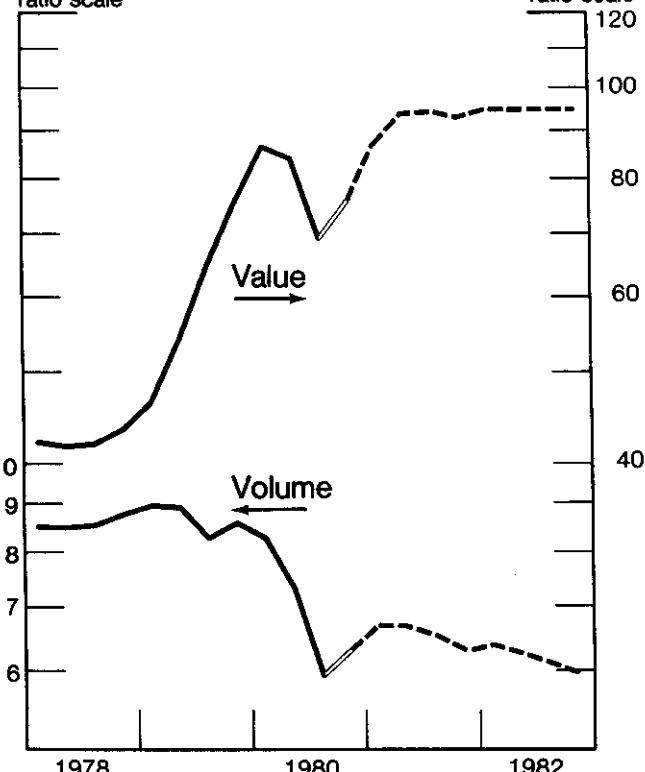
Non-Oil Imports

Billions of 1972 dollars,
ratio scale

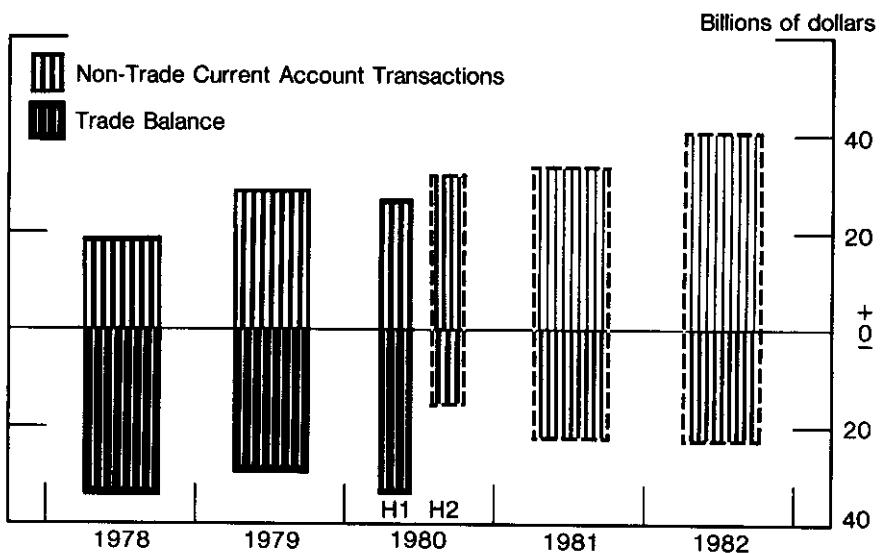


Oil Imports

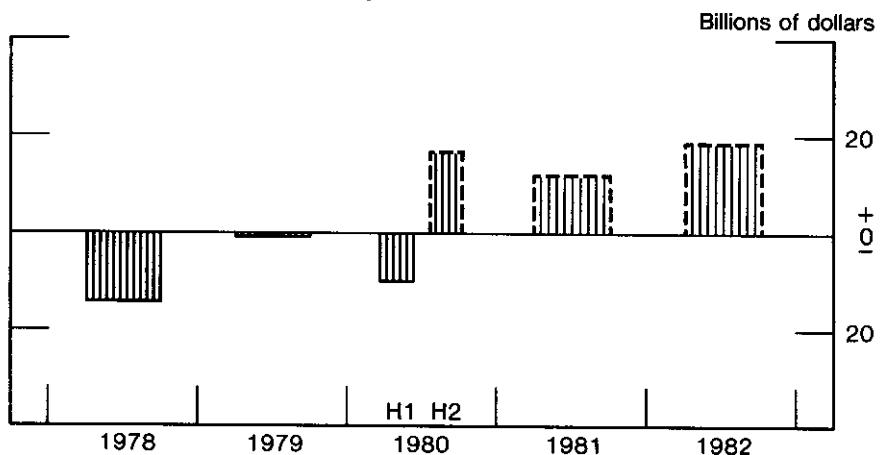
Billions of dollars,
ratio scale



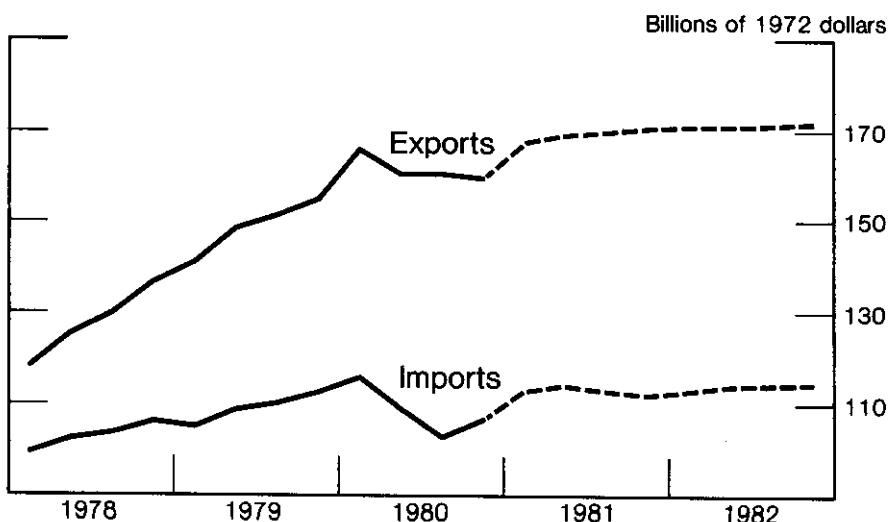
Current Account Transactions



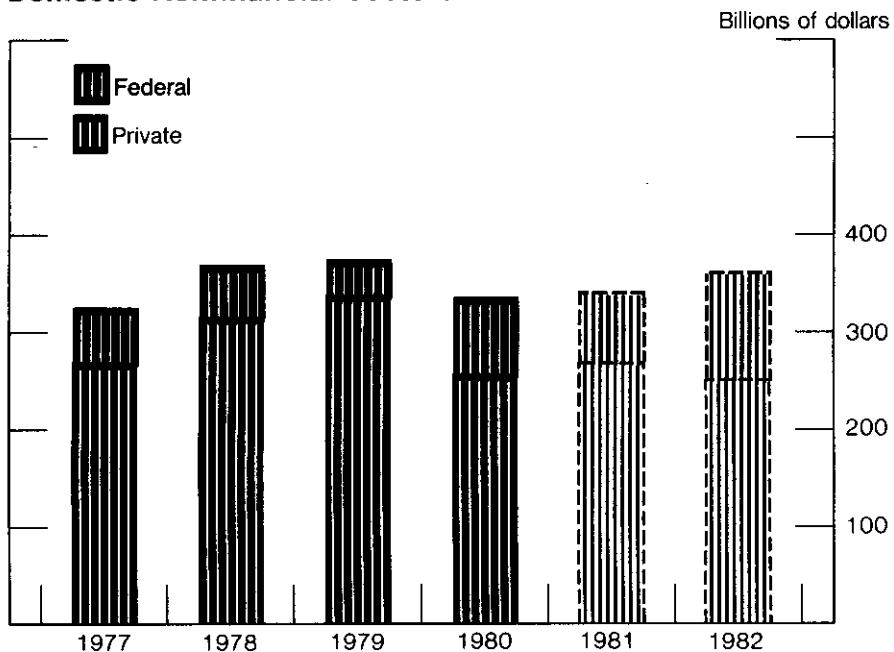
Current Account Balance



GNP Exports and Imports of Goods and Services



Funds Raised By Domestic Nonfinancial Sectors

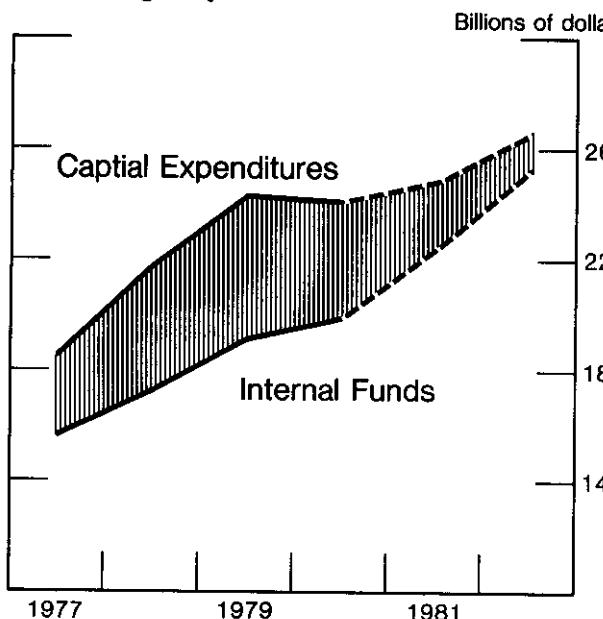


Federal Government Borrowing Relative to GNP

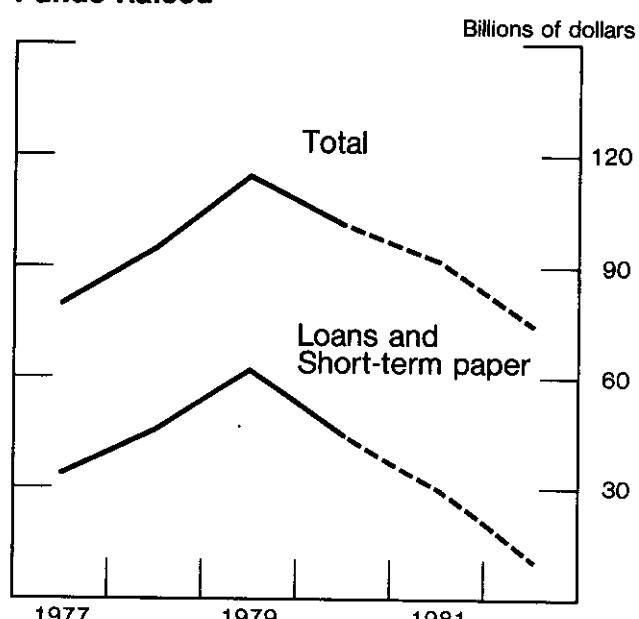


Nonfinancial Corporations

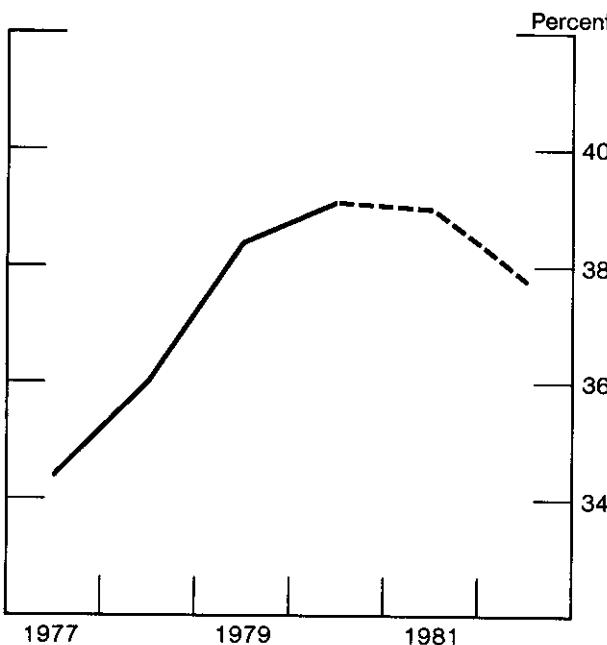
Financing Gap



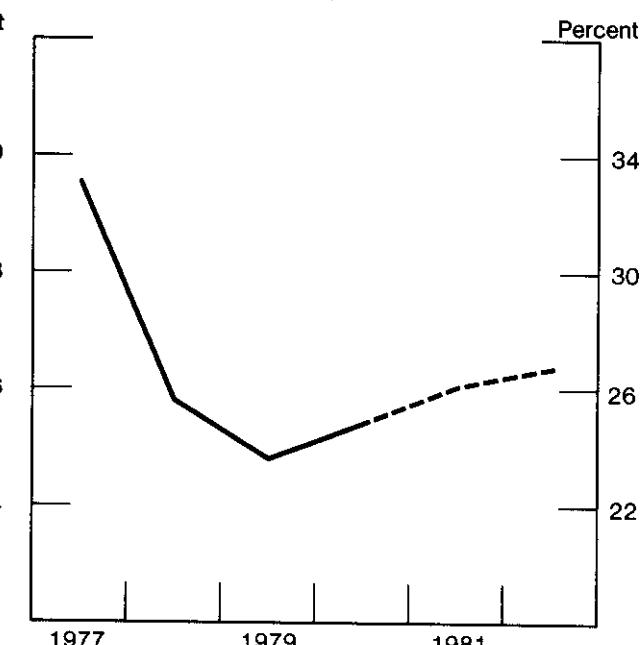
Funds Raised



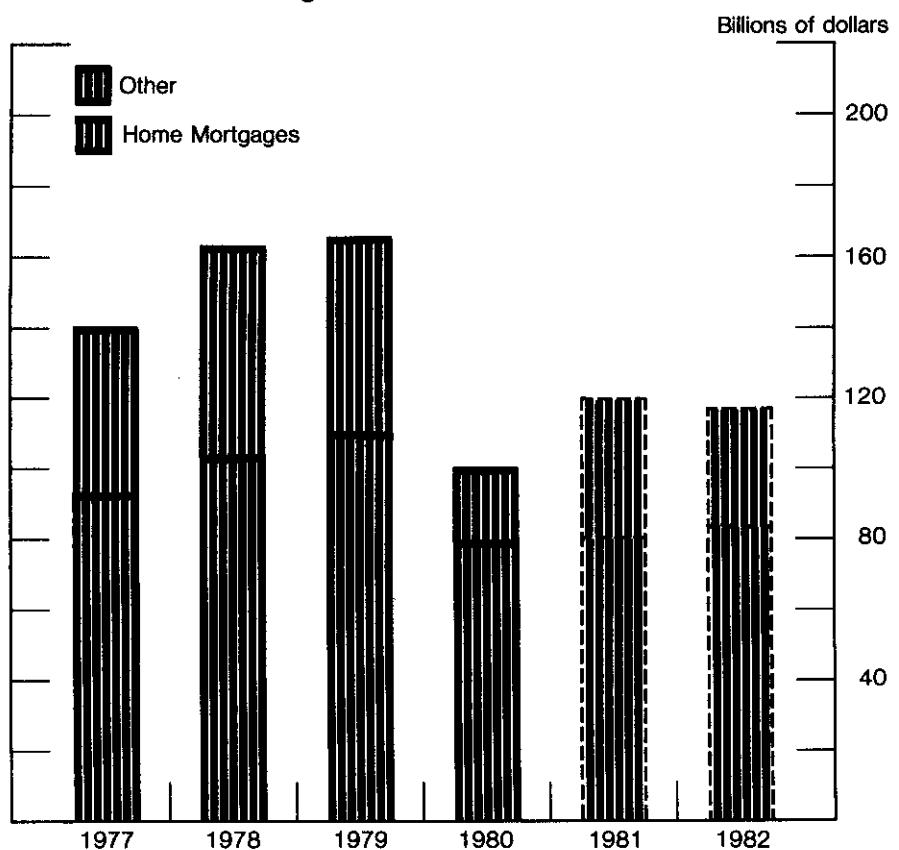
**Short-term Debt
Relative to
Total Debt Outstanding**



**Liquid Assets
Relative to
Short-term Liabilities**

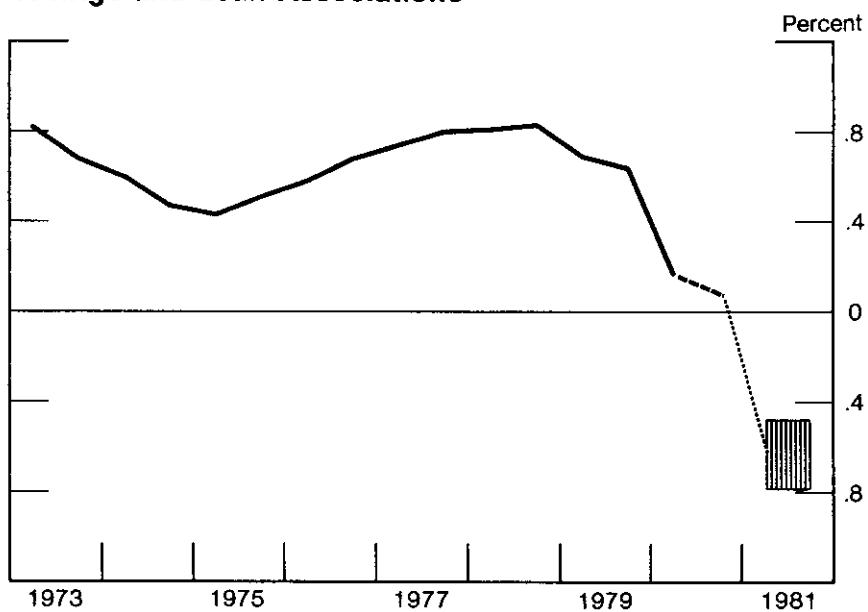


Household Borrowing



Net Income to Assets

Savings and Loan Associations



Mutual Savings Banks

